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CLOSER COMMERCIAL RELATIONS WITH LATIN-AMERICA

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The following suggestions for the development of our relations with the countries of Latin-America might be offered:

The first and most important question of policy for our country to pursue is the securing of the confidence of our sister republics in the south by carrying out in spirit as well as in letter any agreements or treaties we may make with them or with other nations. In this connection it may be said that the action of our government in acquiring from the Republic of Panama the right to build the Panama Canal was not above reproach. At the time we took over through purchase from the French company the rights that belonged to them, there can be no question but that we encouraged the citizens of the Republic of Panama to secede from the United States of Colombia so that we might secure through treaty with the new Republic the rights necessary to enable us to carry forward the great work of building the Panama Canal. Although the undertaking and putting through of the canal was of prime importance, the way in which the transaction was accomplished is not an episode of which we should be too proud. Looked at from the broadest aspect of our international obligations, our action was not above criticism. Colombia was unjust and unreasonable and expected to secure from the United States undue advantages and compensation, but this did not justify us in acquiring, practically by force through our superior resources, what should have been acquired by treaty agreement. We should now seek to establish closer commercial relations with the Republic of Colombia, even to the extent of conceding to it some advantages in the use of the Panama Canal, such as including its coastwise commerce as we do that of the Republic of Panama in the free use of the canal. For Colombia likewise has a large coast line on both the Pacific and Atlantic oceans.

By treating Colombia in this magnanimous spirit we would lead the other Latin-American republics to believe that they can always depend on the fairness and justness of our country.

Second: We entered into a treaty with Great Britain in good

faith that no concessions would be made in the use of the Panama Canal to the ships of any nation that were not equally extended to the ships of all nations. This implied, certainly on our part, a moral obligation that in the foreign commerce of the world, and our own included, we would take no undue advantage of our rights in the Panama Canal. This clause in our treaty was a mistake. The United States in spending the millions necessary to build this canal should have, as regards its foreign commerce, some advantages because of this enormous expenditure. It is very doubtful whether the canal will ever be profitable directly from tolls, or pay anything like a fair per cent upon this enormous cost—at least for a great many years to come.

A number of bills have been introduced in Congress to give free tolls to ships under our own flag engaged in foreign commerce. We have a perfect right to give free tolls to ships engaged in our coastwise commerce. But everyone must concede that Congress should do nothing which might in any way be construed as a violation of this treaty agreement. We should therefore discuss the matter frankly with England before we take any action of that kind. It is possible that by so doing, we might secure a modification of an unfortunate agreement and thus obtain relief without any arbitrary action. The confidence which our sister republics have in our integrity would be strengthened by such action and they would be willing in the future to trust us more extensively.

Third: A most important feature to encourage the development of closer commercial relations will be the establishment of such regular lines of communication in steamships, under our own flag, as will carry to the ports of South America some evidence upon which to base a belief that we are a maritime and exporting nation. I know in some of the countries of South America they do not believe we can build and run ships; they think that we are not a maritime nation. Other nations, such as Japan, come to them and show them by actual demonstration, in the ports of their country, ships built, owned and manned by the Japanese under the Japanese flag. I allude now particularly to ports on the west coast. The same would be true of all ports on the eastern coast, where seldom, if ever, is the American flag seen on a ship of our country. Consequently it is hard for the nations of South America to realize that the United States can build ships.

Fourth: The establishment, by citizens of the United States, of banking facilities throughout our Latin-American republics will be of inestimable benefit. This is not a question, of course, for the United States Government to take up, but it is a question that I think will be very largely influenced by the establishment by the government, on whatever lines are fair and just, of regular steamship communication under the flag of our country.

Fifth: To-day the conditions existing in Mexico afford us a striking example of the evils that may arise from a lack of proper understanding of all the conditions that go to make up closer relations between the two countries. The Republic of Mexico for many years has offered opportunities and complete protection to citizens of the United States wishing to make investments for the development of its country, and a large amount of capital has been invested in Mexico, in many cases with very beneficial results to the citizens of both countries. At the same time we have entirely neglected means of communication by regular lines of steamers under our own flag, and the result has been that we find another nation, Japan, studying out how she may wisely and efficiently develop closer commercial relations with the Republic of Mexico by establishing lines of steamers under her own flag.

A great deal of the present discussion in the press has been brought about by the establishment of lines of steamers under the Japanese flag at Salina Cruz and a concession by the Mexican Government to this line of \$5,000 a voyage. Mexico has given to an American steamship line, The American-Hawaiian Steamship Company, a special guarantee against loss for a line across the Isthmus of Tehuantepec.

Thus we see the remarkable situation of an American line of steamers receiving aid from the Mexican Government, and also a Japanese line whose interests are so directly opposed to our own, particularly in the development of the Pacific coast trade. The United States should so encourage our merchant marine as to obviate the need of establishing these close relations with Japan. Were there facilities under the American flag, the Republic of Mexico would be glad to extend to us, instead of extending to Japan, such assistance, and thus draw closer our commercial relations.

There is justification for the belief that regular lines of communication with Latin-America by steamers under our own flag

would develop closer relations. In this connection the President of the United States in his message of December, 1909, spoke as follows:

"I earnestly recommend to Congress the consideration and passage of a ship subsidy bill looking to the establishment of lines between our Atlantic seaports and the east and west coast of South America as well as lines from the west coast of the United States to South America."

Presidents McKinley and Roosevelt both recommended such legislation; as did also Postmasters General Cortelyou, Meyer and Hitchcock; Secretaries of Commerce and Labor Cortelyou, Straus, Metcalf and Nagel; also Admiral Dewey, President of the General Board of the Navy Department. Of the organizations: The National Board of Trade, National Association of Manufacturers, The American Bankers' Association, The American Cotton Manufacturers' Association, and the boards of trade and chambers of commerce of the principal cities of the United States. By adopting resolutions they endeavored to encourage the establishment of regular American lines of mail steamers to South America. As to foreign countries, and especially via the Panama Canal, Spain has provided by law for compensation of \$1.90 a mile for steamers of thirteen knots from Barcelona to the west coast of South America and to San Francisco through the canal when completed. A bill is pending in the Italian Parliament for a similar compensation. Japan has already established a line to the west coast of South America. I should like to quote the following report of Mr. C. J. Arnell:

"A subsidy of 690,511 yen annually for five years is provided for a Japanese line to South America. There are to be six voyages a year, so the subsidy amounts to \$57,000 a round voyage of 25,000 miles, or as near as may be \$4.60 per nautical mile outward bound. This is the rate paid to twenty knot mail steamships of 8,000 tons or over under our ocean mail act of 1891. The Japanese ships, however, are to be only thirteen knots and range from 5,200 to 9,300 tons." In his admirable report on the Japanese legislation of 1909 (S. Doc. 152, 61st Cong., 1st sess.) Mr. C. J. Arnell, of our embassy at Tokyo, says of this South American line: "The government's proposal to open a regular line to South America met with severe opposition in the Diet and considerable criticism from the press on the general grounds that it was contrary to the new policy of finan-

cial retrenchment to subsidize an enterprise whose immediate undertaking was not essential, and which did not promise to be profitable for some years to come. As already reported, however, the government seemed to attribute more than ordinary importance to the line and, after vigorous action, succeeded in effecting a compromise with the Diet whereby the subsidy for the present year (about 500,000 yen) was retained in the budget. There is no evidence, however, to show that the motive for the establishment of the line is more than purely commercial, and the general opinion seems to be that it is the outcome of investigations recently made in South America by Mr. Uchida, director of the commercial marine bureau. The immediate subsidizing of the line was evidently desired in order to participate in what is believed to be a promising field—the proposed establishment of regular steamship services by the Hamburg-American, Norddeutscher-Lloyd, and a certain Chinese company. The new Japanese line will make regular calls at Hongkong, Moji, Kobe, Yokohama, Honolulu, Salina Cruz and Mazanillo (Mexico), Callao (Peru), and Iquique and Valparaiso (Chile)."

"On October 25, 1909, a bill was passed in the Mexican Congress to grant from the Mexican treasury to this Japanese line a subsidy of 10,000 pesos (\$5,000) a voyage, or \$60,000 annually.

"For fourteen knot steamers to Argentina, once a month, Spain is willing to appropriate at the rate of \$4.60 a nautical mile outward, the same rate as for sixteen knot American steamships defeated in the House of Representatives last March. The recent subsidy legislation of other countries in fact shows that various shipping propositions which have passed the Senate of the United States during the past ten years, and failed in the House, have been studied elsewhere and that some of their features, adapted to varying national conditions, have been incorporated in the laws of other countries. Spain has already provided for a subsidized line through the Panama Canal."

So important does this question of the establishment of lines of steamers, under the flags of their own countries, appear to foreign nations that to-day they are spending over \$49,000,000 per annum for this purpose. We are doing little or nothing with the Latin-American countries, where the greatest opportunity to-day exists for the development of our export business.